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FISCAL IMPACT STATEMENT

LS 6571 | **NOTE PREPARED:** Dec 31, 2009
BILL NUMBER: SB 267 | **BILL AMENDED:**

SUBJECT: Property Tax Appeal Adjustments.

FIRST AUTHOR: Sen. Mrvan | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL** **DEDICATED** **FEDERAL** | **IMPACT:** Local

Summary of Legislation: This bill requires the resolution of an issue in an appeal of a property tax assessment, deduction, or exemption to be carried over to the assessment, deduction, or exemption for subsequent years, unless for the subsequent year: (1) changes in circumstances make the resolution inapplicable; or (2) another appeal is initiated.

Effective Date: January 1, 2010 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, a change in an assessment that results from an appeal by the taxpayer remains in effect from the assessment date for which the change is made until the next assessment date for which the assessment is changed. With the implementation of annual trending rules which, in most cases, would change the assessment of the property, this particular statute could be interpreted to imply that a successful appeal would last for only one year. This issue is further complicated by the fact that many counties use the tax bill, which is issued a year after the assessment, as a notice of assessment. In this case, the property would receive a notice of assessment after the assessment has already changed and, technically, could not file a successful appeal of the prior assessment. The appeal, if successful, would be nullified by the change in assessment.

This bill attempts to clarify any potential misunderstanding or misinterpretation of the current statute. It explicitly states that if an appeal concerning an assessment, deduction or exemption is successful, the appropriate county official would ensure the change was applied not only to the assessment year for which the appeal was filed, but also for each subsequent assessment year. The bill also retroactively covers any appeals filed before its passage. The two exceptions to this are that if an another appeal is initiated in the subsequent years or if the county determines that circumstances have changed enough that any resolution of the appeal would be no longer applicable.

The fiscal impact of this bill would depend on whether counties do not currently extend any changes in assessment because of a successful appeal to subsequent years. If they do, the fiscal impact would be minimal. If they do not and the taxpayer did not file another appeal during the subsequent years, then the impact would depend upon the amount of AV in the appeal and when the issue was resolved.

There are two potential fiscal impacts: (1) Short-term impact; (2) Long-term impact. There is also the impact of the property tax cap (i.e., circuit breaker) that may have an effect in both the short and long term.

1. Short-Term Impact: The bill does not specify how or when the taxpayer would be reimbursed for any extra property taxes the taxpayer may have incurred up to the current year. It is assumed that in general the taxpayer would receive a lump-sum payment. This impact would affect revenues in the current tax cycle. If a successful resolution occurs before assessed values (AVs) are certified and tax rates are set, and assuming that there is no impact from property tax caps, local revenues will not be affected, although tax rates may have to be increased to cover the potential shortfall caused by the reduction in AV.

If, however, AVs have been certified and tax rates are set for the calendar year, successful resolutions would result in a reduction of property tax revenues for those taxing units where the property in question is located. To cover any potential refunds due, county auditors may reduce the certified AV by the amount needed (up to 2% of total AV) to absorb the effects expected to result from successful appeals.

2. Long-Term Impact: Successful appeals leading to lower AV in subsequent years is equivalent to a tax deduction until the basis for the deduction changes. This reduction in the tax base would result in a tax shift to all other property in the form of an increased tax rate. The amount of the tax shift and the size of the increase in the tax rate is indeterminable.

3. Circuit Breaker Impact: The short- and long-term impacts may be exacerbated by the circuit breaker property tax caps. The combination of a reduction in assessed values and an increase in the tax rate makes it likely that the property taxes of more taxpayers would be above the applicable tax cap. This would potentially increase the amount of circuit breaker credits that the taxing unit would have to fund. As a result, total local revenues would probably decrease. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

State Agencies Affected:

Local Agencies Affected: Local taxing units.

Information Sources:

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